Access & Persistence

ADVISORY COMMITTEE ON STUDENT FINANCIAL ASSISTANCE

SUMMER 2010

June Hearing Summary:

The Rising Price of Inequality,

Department of Education Update,

Higher Education Regulations Study

Next Steps: Second Phase of HERS

Member Profile: John McNamara

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MESSAGE FROM THE CHAIR

President Obama's 2020 education goal has been receiving national attention. By 2020, the President is committed to ensuring that America will once again have the highest proportion of college graduates in the world. The challenges inherent in meeting this target are many, but, as the Advisory Committee has noted, declining bachelor's degree attainment rates are threatening America's global competitiveness. The latest and most troubling evidence that bachelor's degree completion rates are falling nationally comes from a May 2010 Brookings Institution report, *The State of Metropolitan America*, which shows that, for the first time, the bachelor's degree attainment rate of American 24 to 34 year olds is lower than that of 35 to 44 year olds. Societies with increasing degree attainment show an opposite demographic trend.

Shortly after the release of the Brookings report, the Advisory Committee held its spring hearing on June 25, 2010. The hearing was convened, in part, to release the Committee's most recent congressionally mandated report, *The Rising Price of Inequality: How Inadequate Grant Aid Limits College Access and Persistence* (RPI). Using National Center for Education Statistics data, RPI provides persuasive evidence that total need-based grant aid from all sources is inadequate to ensure enrollment and persistence of qualified low- and moderate-income high school graduates. Furthermore, the report makes clear that substantial enrollment shifts triggered by family financial concerns are moving initial enrollment of qualified high school graduates away from four-year colleges. These shifts are consequential as data have shown where students begin college largely determines their likelihood of persistence and completion. The findings from RPI are based upon the Committee's work in *Mortgaging Our Future*, updated in 2008, which projects the loss of 1.7 to 3.2 million bachelor's degrees this decade due to financial barriers. President Obama's commitment to reversing these trends could not be more welcome or more necessary.

A summary of reaction to *The Rising Price of Inequality* is included in the June hearing summary in this issue of *Access & Persistence*. In addition to news about the hearing, this issue also contains an article on next steps in the Committee's *Higher Education Regulations Study*. The hearing marks the launch of the second phase of the study, which will focus on regulations beyond Title IV and how best to prioritize recommendations. More details can be found in this issue.

The Committee continues to monitor Department of Education activities. The Department's regulatory proposals were discussed at the hearing, and staff continues to monitor the latest NPRMs. Throughout the fall, the Committee will move forward with its congressional charges, providing updates to the public through our website.

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An independent committee created by Congress to advise on higher education and student aid policy

SUMMARY OF THE ACSFA JUNE HEARING

The Advisory Committee held a one-day hearing on June 25, 2010, in Washington DC that focused on the significant progress made on the Committee's two main charges from reauthorization: the *Condition of Access and Persistence Study* (CAPS) and the *Higher Education Regulations Study* (HERS). Specifically, the hearing marked the release of the first annual CAPS report, *The Rising Price of Inequality: How Inadequate Grant Aid Limits College Access and Persistence*. The first session of the hearing consisted of community reaction to the report, while two additional sessions were conducted, consisting of Department of Education and HERS updates.

Dr. Juliet García, President, University of Texas at Brownsville and former chair of the Advisory Committee, was the keynote speaker. Dr. García opened her remarks by stating that *The Rising Price of Inequality* (RPI) reminds us that the most important messages need to be repeated over and over, lest we forget them. RPI shows that large mismatches continue to exist between the aspirations and qualifications of low- and moderate-income high school graduates and where they are financially able to enroll in college. These mismatches are triggered by increasing family financial concerns about college, and are shifting enrollment away from four-year colleges. Such shifts are consequential as where a student enrolls largely determines his or her chances of persistence and completion. RPI also warns that persistence appears to be declining, which magnifies the impact of enrollment shifts. Taken together, enrollment shifts and declining persistence have greatly undermined bachelor's degree completion over the last two decades, and, if unchecked, will take an even greater toll this decade. The solution to these problems is two-fold: need-based student aid must be increased at every level, and colleges must restrain prices, to the extent possible. And it must never be forgotten that maintaining financial access to four-year public colleges for qualified high school graduates is of paramount national policy importance.

Session I: The Rising Price of Inequality—Community Reaction

Several distinguished members of the higher education community provided responses to the findings and implications of *The Rising Price of Inequality*, discussing, in addition, the impact of those findings on the community and the future of higher education. RPI is the first annual report of CAPS, a congressionally mandated study in which the Advisory Committee is charged to report annually on the adequacy of need-based grant aid for low- and moderate-income students, as well as their enrollment and persistence rates.

Dr. Donald Heller, Director, Center for the Study of Higher Education & Senior Scientist, College of Education, The Pennsylvania State University, set RPI within the context of President Obama's goal that, by 2020, the U.S. will once again have the highest proportion of college graduates in the world. The Committee's report articulates the challenges the country will face, and provides data showing that addressing barriers simultaneously—academic preparation, financial barriers, and persistence—is needed to achieve the president's goal. Among several recommendations, RPI suggests conducting a demonstration project on how different parameters for income-contingent loan repayment might affect college access and persistence. Dr. Heller's research on the British student loan system shows that income-contingent loans are effective with low- and moderate-income students. A study of loan forgiveness programs should also be pursued, as student loans have become a critical piece of the college financing system.

Mr. Mark Kantrowitz, Publisher of FinAid.org and Fastweb.com, noted that RPI's findings are based on a study of public colleges and traditional students; however, similar shifts are occurring among nontraditional students and those who attend nonprofit colleges. Issues in federal aid policy that particularly impact nontraditional students include: Pell Grant funding unavailable for a second bachelor's degree, loan limits cumulative through all degree programs, and negative EFC unavailable. And because Pell does not cover the cost of tuition, Pell recipients, ironically, graduate with the most debt. To combat these problems, the maximum Pell Grant must be doubled, to $11,700, and indexed to one percent of inflation thereafter.

Mr. Jeff Webster, Assistant Vice-President for Research and Analytical Services, Texas Guaranteed Student Loan Corporation (TG), applied the concepts of RPI to at-risk students in the State of Texas, which has, compared to national data, a higher percentage of low-income students, more students enrolled at two-year colleges, lower graduation and transfer rates, and more bachelor's degree losses. TG has studied this at-risk population, which sees loans as a calculated risk and is willing to stop-out or attend part-time, and has determined that the following campus elements provide the best supports: intense and short-term programs, standard course sequencing, use of block scheduling, student cohorts that remain together, small campuses and classes, and remediation built into coursework. In addition, the use of expanded income-contingent loans and loan forgiveness programs may encourage access and retention by reducing the risk inherent in taking out loans, as experienced by low-income students.

Ms. Zakiya Smith, Senior Policy Advisor, Office of Planning, Evaluation & Policy Development, U.S. Department of Education, praised the Advisory Committee for shining a spotlight on the financial barriers to college that students are facing, and she also commended the report's methodology. RPI illustrates the importance of need-based aid and keeping net prices low—to achieve these goals, leadership will be needed at every level, state, federal, and institutional. President Obama has been committed to increasing Pell and indexing it to inflation, but knows that more is required. Administration initiatives that address the problems raised in RPI include the proposal to remodel the Perkins Loan program from the *Student Aid and Fiscal Responsibility Act* (SAFRA) legislation; strengthening early intervention programs, specifically the College Access and Completion Fund; and investing in efficient and productive remediation, addressed in the American Graduation Initiative. Expansion of the Income-Based Repayment (IBR) program will result in additional data soon available on income-contingent loans, on which the administration welcomes ideas.

Dr. Donald Norris, President, Strategic Initiatives, Inc., observed that the results of RPI show how unaffordability has crept into student decision making and has caused students fully qualified to attend a four-year college to make other choices. One problem facing students is the combined impact of rising expectations and diminished resources at all levels. With a dual focus on student success and financial sustainability, the country will have difficulty meeting the president's 2020 goal. One possible solution is to focus on the total cost of completion, not solely on tuition and net price; for example, the use of the three-year baccalaureate, early college high school, and concurrent enrollment programs can reduce total cost. The nation needs to be clear-eyed about alternative pathways to degree completion, including community and practice-based learning, as well as completing while employed.

Session II: Education Department Update

Mr. Robert Shireman, Deputy Undersecretary of Education, U.S. Department of Education, discussed higher education legislation and proposals from the Obama administration, and provided an update on new initiatives in Federal Student Aid. Referencing the difficulty presented by the current economic climate, Mr. Shireman emphasized the administration's commitment to education, in part because a better educated workforce will help the U.S. out of the budget deficit and weak economy. The administration has moved toward its 2020 goal to increase the proportion of college graduates in several ways: increases in Pell Grant funding were proposed in the *American Recovery and Reinvestment Act* and in the budget; education tax credits are now partially refundable for low-income families, larger, and available for four years; federal student lending has shifted to direct lending, with the savings used to extend the Pell Grant; and improvements have been made to the IBR program. In addition, community colleges will receive $500 million per year for the next four years through the Department of Labor's Trade Adjustment Assistance program.

The Department realizes that it needs to do more to increase persistence and completion. The community college funding is a step toward that; however, the administration has not been able to get all of its proposals into legislation. Research consultants have indicated that there is no 'magic bullet' for persistence and completion. Presently, the

Department is considering tweaking financial aid to increase persistence by five to ten percentage points by examining the ways in which students struggle and the methods campuses apply to address that. As the federal government considers future proposals, it would welcome the Advisory Committee's input.

In terms of the FAFSA and simplification, Mr. Shireman noted that much of what he brings to the Department stems from his work on the Advisory Committee, which has focused on the electronic form. Of the three different routes the administration has taken on FAFSA simplification, it has achieved two. The first effort was to make the online application user-friendly and minimize the number of questions any individual applicant must complete. The result was some re-ordering of questions as well as changes to the look and feel of the form that minimize intimidation. The second was to streamline entry of IRS tax return data into the FAFSA. Students who apply in August for the fall semester can import their tax data to the FAFSA; this feature will be available for spring semester community college applications in 2011. Students who apply in January for the fall semester still cannot import tax data due to the fact that prior year data must be used. The Department looks to the Advisory Committee for contributions to resolve this issue. The third effort, which was not achieved, was to restrict financial information needed on the FAFSA to that from tax returns. The Department plans to work with Congress on the FAFSA to produce additional legislation.

Session III: Higher Education Regulations Study

A panel of experts in higher education regulations provided commentary on the issues and challenges in implementing and complying with regulations in five notable areas: **gainful employment**, **private loan certification**, **reporting and disclosure requirements**, **verification and application issues**, and **year-round Pell Grant awards**. Information from this session will be used to shape the second phase of HERS, a congressionally mandated study that is to evaluate the ways in which burdensome regulations may be improved, streamlined, or even eliminated. A final report is due to Congress and the Secretary of Education in November 2011.

The first phase of HERS began with a review of Title IV regulations and involved convening a review panel of higher education regulations experts, as well as developing a public comment website. As a result of these activities, the Advisory Committee has identified a group of regulations for further review, to which the five notable regulatory topics under discussion at the hearing pertain. Moving forward, the Committee is assessing ways to prioritize recommendations and how best to determine level of burden. One method under consideration is to conduct case studies at institutions representing the major sectors of higher education and try to quantify burden at the campus level. The result could be a template for other institutions to use in assessing their own regulatory burden. See the following article in this issue of *Access & Persistence* for additional information on phase two.

The *Higher Education Act* (HEA) requires for-profit colleges to provide "an eligible program of training to prepare students for **gainful employment** in a recognized occupation," but the law does not currently define gainful employment. The Department's current proposal is an eight percent debt-service-to-income threshold based on median student debt for recent college graduates with income based on Bureau of Labor Statistics (BLS) wage data or actual earnings of the college's graduates. **Dr. Laurie Wolf**, Executive Dean of Student Services, Des Moines Area Community College, noted problems with BLS data, including limited sampling and program subcategories. Reporting of wage and debt data is also compromised by state-mandated licensure programs and reverse transfer student debt. **Ms. Elaine Neely**, Senior Vice President of Regulatory Affairs and Compliance, Kaplan Higher Education, agreed with Dr. Wolf. Ms. Neely commented that the debt-service-to-income threshold would decimate nursing and medical technology programs in particular. She asserted that Kaplan's budget counseling process addresses the issue of over-borrowing, which is the Department's main concern. **Ms. Christine Lindstrom**, Higher Education Program Director, U.S. PIRG, said that PIRG supports the Department's efforts to define gainful employment, which is the only way to ensure that taxpayers are protected from fraud and students from unnecessary debt.

The *Higher Education Opportunity Act* (HEOA) added a new requirement regarding **private loan certification**: that an institution participating in any Title IV program must, upon the request of an applicant for a private education loan, provide the applicant with the self-certification form for private education loans required under the *Truth in Lending Act* (TILA) and the information needed to complete the form, to the extent the institution has that information. **Mr. Justin Draeger**, President, National Association of Student Financial Aid Administrators, stated that while Title IV loans are excluded from TILA disclosures, other federal loans are not, which include those under the *Public Health Services Act*; this can create confusion for students about federal versus private lending. In addition, he noted, regulations stipulate strict adherence to the timing of the disbursement without regard to the identity of the creditor, which results in duplication of effort for institutions issuing loans. Finally, he said school certification would be better than self-certification as institutions have more knowledge of federal lending. **Ms. Lindstrom** commented that two out of three student borrowers have not exhausted federal eligibility before taking out private loans, and recommended school certification as well.

The HEOA placed a substantial number of new reporting and disclosure obligations on schools that participate in Title IV programs. Many in the higher education community believe that **reporting and disclosure** requirements unrelated to student aid are overwhelming colleges and universities. **Mr. Mark Bandré**, Vice President for Enrollment Management and Student Development, Baker University, noted that an important consideration for the Advisory Committee is how information about aid programs may be distributed in a timely fashion, because aid administrators work on multiple channels with program requirements. In addition, disclosure requirements emanate from multiple points on campus, so coordination becomes a burden, and many of the disclosures are duplicative requirements.

Current **verification** regulations are being modified for alignment with recent changes to the need analysis provisions and with operational improvements in the application processing system. Under current regulations, an institution is required to verify the application information of no more than 30 percent of its total number of applicants for assistance in an award year. **Dr. Barry Simmons Sr.**, Director of University Scholarships and Financial Aid, Virginia Polytechnic Institute and State University, said that small, less competitive private institutions and community colleges are affected the most, as verification can negatively impact the students the college is trying to recruit, delaying enrollment and admissions decisions. The Department's proposal to replace the standard five items for verification with a variable list may place additional burden on institutions in the form of administrative complexities. In addition, the Department's proposal to remove the 30 percent cap should come with a promise of a reasonable minimum cap. **Mr. Lee Andes**, Assistant Director for Financial Aid, State Council of Higher Education for Virginia, agreed with Dr. Simmons and added that states also face complexity in terms of potential FAFSA simplification and assessment of the expected family contribution (EFC). The exclusion of assets data will impact state grant eligibility. He recommended changes in how the data are collected, rather than limiting information reported on the FAFSA.

The HEOA expanded Pell Grant funding so that eligible students may receive up to two Pell Grants during a single award year to accelerate their studies, also known as the **year-round Pell Grant**. Negotiated rulemaking has focused on defining "accelerate the student's progress" and on concerns about administrative burden associated with implementation. **Ms. Bonnie Joerschke**, Director of Student Financial Aid, University of Georgia, said that current regulations for determining a second award have reduced the feasibility of automation and increased manual entry, which has slowed award and disbursement of summer Pell Grants. She noted three factors that make implementation an administrative burden: a second academic standard for schools to monitor, awards in summer cross-over periods, and complexities that are confusing to students and staff. Federal regulations allow schools to use judgment in certain situations and this should be extended to determination of acceleration. In terms of summer cross-overs, she said the Department should allow packaging consistent with the terms delineated by the school for the award year. **Mr. David Page**, Director of Financial Aid, Philander Smith College, agreed with much of Ms. Joerschke's testimony, adding that Pell eligibility and award amounts are potentially compromised by the summer cross-over periods because they depend on the possible difference between two EFCs from two different award years. He suggested treating the summer as an additional semester, equal to fall or spring. ◆

A complete summary of the hearing is available on the ACSFA website.

NEXT STEPS: SECOND PHASE OF HERS

The Advisory Committee continues making progress on the congressionally mandated *Higher Education Regulations Study* (HERS). The Committee was charged with the study as a result of the *Higher Education Opportunity Act* (HEOA), which requires it to conduct a review and analysis to determine whether regulations affecting higher education are:

- duplicative
- no longer necessary
- inconsistent with other regulations, or
- overly burdensome.

The review and analysis conducted in HERS will pay particular attention to evaluating ways in which regulations may be improved, streamlined, or eliminated. The Committee received clarification from congressional staff members that the study's focus should be on regulations emanating from the *Higher Education Act* (HEA), as opposed to all regulations from all sources affecting postsecondary institutions. While other regulatory reviews have been conducted, the Advisory Committee study is the first analysis conducted outside federal agencies or congressional committees. A final report is due to Congress and the Secretary of Education in November 2011.

Phase I of the study focused on Title IV regulations. Feedback from the community, including submissions to the Community Suggestions Website and comments from the Title IV review panel as well as several higher education associations, yielded approximately 35 viable specific regulations or regulatory areas deemed burdensome, duplicative, obsolete, or in conflict with other regulations. Following closer analysis and in follow-up conversation with the panelists and other experts, the Committee realized that, although a good number of regulations were identified, the study likely needed to be refocused for several reasons:

- There were no data on the level of burden. Although the Committee received some anecdotal information, there was no method for determining whether one regulation was more burdensome than another, or whether one sector was impacted by a regulation more than others.

- Regulations and their perceived burden are fluid and moving targets. A number of the regulations suggested by the community have since changed dramatically, including two grant programs set for elimination.

- Regulations affect different sectors in different ways. Without data on level of burden by sector, it is difficult to understand how specific rules affect different sectors of postsecondary education and how best to recommend changes.

In order to evaluate and make recommendations to streamline, improve, or eliminate a regulation, the Committee believes there needs to be a means to assess burden and prioritize recommendations. This assessment is critical to ensuring that there is no negative effect on program integrity, costs, or effectiveness.

In Phase II, the Advisory Committee plans to consult with postsecondary institutions in the Washington DC metropolitan area in order to obtain advice on assessing burden as well as how best to obtain the detailed level of information needed to rank the recommended regulations and distinguish the differences in impacts among sectors and institutional types. The Committee is analyzing all options at this time, including case studies, site visits, surveys, and focus groups.

Phase II will also review regulations beyond Title IV and, similar to Phase I, seek recommendations from the additional areas that are considered burdensome, duplicative, obsolete, or in conflict with other regulations. These additional areas include Title II (teacher quality programs), Title III (aid to institutions), Title V (developing institutions), Title VI (international education programs), Title VII (graduate programs and postsecondary education improvement programs), and Title VIII (additional programs).

At the Advisory Committee's June 25, 2010 hearing, nine panelists discussed five regulatory areas that are currently considered among the most burdensome or that illustrate the range of issues under the purview of the Committee's regulatory study. In addition to providing an overview of the selected regulations, the panelists gave insight into the complexity and the challenges associated with implementation and compliance, and how the structure of the regulation impacts student access. For a complete summary of panelist testimony, please visit our website.

The Committee continues to seek additional feedback for the study. In addition to the Community Suggestions Website that provides a means for the public to offer recommendations for streamlining regulations, the Committee will convene a second review panel of experts who have experience with regulations under the HEA beyond Title IV, as noted above, as well as those who have expertise in conducting case study and survey research and other pertinent methodologies. Any individuals wishing to volunteer or to nominate persons with relevant knowledge should contact Anthony Jones, Director of the Higher Education Regulations Study, at anthony.jones@ed.gov. ◆

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COMMITTEE MEMBERS

COMMITTEE STAFF

MEET A MEMBER

John McNamara
Vice President for College Development
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John McNamara was appointed by the Secretary of Education in 2009 to serve a term that expires in September 2013. He is the Vice President for College Development at Rockford College, in Rockford, Illinois. Prior to his tenure in development, Mr. McNamara joined the College as an assistant to the president and then as the director of the Jane Addams Center for Civic Engagement. Before his involvement with Rockford College, he worked at a private law firm and at a real estate investment firm. Mr. McNamara has a strong history in public service, which includes serving in the U.S. Army, as an assistant public defender for the County of Winnebago, and as a city council member and then mayor of the City of Rockford. He is also very involved in his community and his church, St. Peter Cathedral, and multiple boards and committees. He received a bachelor of arts degree from Notre Dame, and a law degree from The University of Michigan. John and his wife, Barbara, were married in 1965 and have six children. ◆

ACSFA Announcements

The Rising Price of Inequality: How Inadequate Grant Aid Limits College Access and Persistence (RPI) is available for download. RPI is the first annual report of the congressionally mandated *Condition of Access and Persistence Study*.

For more information on the *Condition of Access and Persistence Study*, contact Wendell Hall, Director of Policy Research, at 202-219-2230 or wendell.hall@ed.gov.

The Community Suggestions Website remains active as the *Higher Education Regulations Study* moves into its second phase. The Advisory Committee continues to seek public comment to help identify higher education regulations, especially from non-Title IV areas, that are duplicative, no longer necessary, inconsistent with other federal regulations, and/or overly burdensome. The Committee will use this information to provide a comprehensive report to Congress and the Secretary of Education.

For more information on the *Higher Education Regulations Study*, contact Anthony Jones, Director of HERS, at 202-219-2246 or anthony.jones@ed.gov.

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